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SUBJECT: THE ANTI-SMUGGLING CAMPAIGN AND OTHER RECENT DEVELOPMENTS
IN SINGAPORE-INDONESIA TRADE

REF: JAKARTA 2970, SURABAYA 0135

SUMMARY:

INDONESIA'S RECENT ANTI-SMUGGLING CAMPAIGN HAS HAD A NOTICEABLE
IF IMMEASURABLE EFFECT ON SINGAPORE'S TRADE WITH INDONESIA.
GOS OFFICIALS AND SINGAPORE BUSINESSMEN SEEM TO BE TAKING IT IN
STRIDE, ALTHOUGH SOME GENERAL CONCERN EXISTS ABOUT THE PACE OF
INDONESIAN ECONOMIC DEVELOPMENT.

END SUMMARY.

1. ANTI-SMUGGLING: SINGAPORE PRESS IN RECENT WEEKS HAS CARRIED
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SEVERAL ARTICLES DEALING WITH EFFECT OF INDONESIAN ANTI-SMUGGLING

CAMPAIGN ON SINGAPORE'S TRADE WITH INDONESIA. ONE REPORT (STRAITS TIMES MARCH 30) CLAIMS THAT TRADE BETWEEN SINGAPORE AND INDONESIA IN "HIGH-DUTIABLE" GOODS HAS DROPPED BY ABOUT FIFTY PERCENT IN THE PAST TWO MONTHS. HARDEST HIT ARE TRADERS IN TEXTILES, CONSUMER PRODUCTS, ELECTRONIC EQUIPMENT, COSMETICS, AND MOTORE SPARE PARTS. THEY REPORTEDLY HAVE WRITTEN OFF \$15 MILLION IN GOODS NOW EMBARGOED IN VARIOUS INDONESIAN PORTS.

2. LOCAL TRADING AND SHIPPING SOURCES CONFIRM THAT THE INDONESIAN CRACKDOWN ON CUSTOMS MALPRACTICES HAS HAD SUBSTANTIAL IMPACT ON LEVEL OF TRADE IN CONSUMER GOODS. KODAK, FOR EXAMPLE, REPORTS A 50 PERCENT FALLOFF IN RECENT MONTHS OF SALES TO LOCAL DALERS (WHO IN TURN WERE SELLING TO INDONESIAN MARKET). DEALERS IN PHONOGRAPH RECORDS, STEREO EQUIPMENT, AND RADIOS EXPERIENCING SIMILAR FALLOFF. J. NEIL, PRESIDENT OF SINGAPORE INTERNATIONAL CHAMBER OF COMMERCE, AND ALSO DIRECTOR OF FRASER AND NEAVE BOTTLING, TOLD EMBOFF THAT CASES OF COCA-COLA HAVE BEEN RETURNED TO SINGAPORE FROM INDONESIA: THE DUTY, IF FULLY COLLECTED, IS TOO HIGH. SOME GOODS, ACCORDING TO NEIL, ARE NOW BEING SHIPPED TO KALIMANTAN, WHERE CUSTOMS ENFORCEMENT IS MORE CASUAL. MANY SMALL SHIPS ENGAGED IN COASTAL TRADE ARE, HOWEVER, NOW IDLE IN SINGAPORE HARBOR. TRUE MAGNITUDE OF LOSS OF TRADE FOR SINGAPORE WILL PROBABLY NEVER BE KNOWN, IN ABSENCE OF PUBLISHED SINGAPORE-INDONESIAN TRADE STATISTICS.

3. SINGAPOREANS STRESS THAT WHAT HAS BEEN GOING ON IS "ADMINISTRATIVE "

SMUGGLING, THAT IS, NOT THE COVERT PHYSICAL MOVEMENT OF GOODS INTO INDONESIA, BUT FALSE DOCUMENTATION ACCEPTED BY CORRUPT OFFICIALS. SINGAPOREANS HAVE NOT ALWAYS BEEN DIRECTLY INVOLVED THEMSELVES IN FALSE DOCUMENTATION SINCE ACCORDING TO "ESTABLISHED BUSINESS TRADITION" ACCOMPANYING BILLS OF LADING AND INVOICES OFTEN WERE NOT REQUIRED. MOREOVER, IN THE PAST INVOICING THE CORRECT AMOUNT HAS NOT NECESSARILY GUARANTEED EASIER PASSAGE FOR GOODS THROUGH INDONESIAN CUSTOMS.

4. MANY SINGAPORE BUSINESSMEN TAKE CYNICAL VIEW OF INDONESIAN ANTI-SMUGGLING CAMPAIGN. SOME FEEL THAT WHEN PROPER PARTIES HAVE BEEN PAID OFF, TRADE WILL PICK UP AGAIN. BOTH SINGAPORE AND INDONESIA ARE BEING HURT BY THE CURRENT ANTI-SMUGGLING LIMITED OFFICIAL USE

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CAMPAIGN, BUT THE INDONESIAN, PARTICULARLY MANY OF THE MILITARY, ARE THOUGHT TO BE THE BIGGER LOSERS.

5. SOLE AGENCY RESTRICTIONS: VOLUME OF SINGAPORE-INDONESIA TRADE IS ALSO BEING AFFECTED BY RECENT INDONESIAN ENFORCEMENT OF THE "SOLE AGENCY" REQUIREMENT. SOME SINGAPORE EXPORTERS ARE DISCOVERING THAT THEY CANNOT SHIP CERTAIN PRODUCTS TO THEIR TRADITIONAL INDONESIAN PURCHASERS UNLESS THE REGISTERED INDONESIAN

"SOLE AGENT" FOR THE PRODUCT FIRST PROVIDES A "LETTER OF NO OBJECTION".

6. CONSULARIZATION: TO COUNTERACT THE COMMON PRACTICE OF OVER AND UNDER-INVOICING (OVER-INVOICING USUALLY INVOLVES A KICK-BACK, UNDER-INVOICING A REDUCED CUSTOMS DUTY), THE GOI IS REQUIRING SHIPPERS TRANS-SHIPPING GOODS IN SINGAPORE (AND, WE UNDERSTAND, HONG KONG, AND JAPAN) TO GET AN INDONESIAN CONSULAR "CHOP" ON INVOICES. IN THEORY, THE "CHOP" IS GIVEN ONLY AFTER REFERENCE TO FREE TRADE PRICE LISTS KEPT BY THE INDONESIAN EMBASSY.

7. EXTRADITION FOR "ECONOMIC CRIMES": THE PRESS HAS REPORTED, AND DEPARTMENT OF TRADE INFORMALLY CONFIRMED, THAT A NUMBER OF INDONESIAN BUSINESSMEN HAVE FLED TO SINGAPORE TO AVOID PROSECUTION AS A RESULT OF CURRENT ANTI-SMUGGLING CAMPAIGN. THE OUTGOING INDONESIAN AMBASSADOR TO SINGAPORE, RUKMITO HENDRANINGRAT, HAS CALLED FOR EARLY CONCLUSION OF AN EXTRADITION TREATY BETWEEN SINGAPORE AND INDONESIA (NEGOTIATION OF THIS AGREEMENT APPARENTLY BEGAN IN 1974). ACCORDING TO HENDRANINGRAT: "AS IT IS, INDONESIAN CROOKS ARE STILL FREE TO ROAM THE STREETS OF SINGAPORE, AND UNLESS ALL CRIMES, ESPECIALLY SMUGGLING, ARE CRUSHED, THEY COULD POSE AN OBSTACLE IN THE DEVELOPMENT OF THE (INDONESIAN) ECONOMY." HOWEVER, THERE IS NO INDICATION ON PART OF GOS THAT CONCLUSION OF SUCH AN EXTRADITION TREATY IS CONTEMPLATED IN NEAR FUTURE.

8. THERE IS NO REPEAT NO EVIDENCE THAT GOS OFFICIALS ARE PARTICULARLY CONCERNED WITH INDONESIAN ANTI-SMUGGLING CAMPAIGN, DESPITE CONSIDERABLE TRADE DISRUPTION. WHEN EMBOFF ASKED DEPARTMENT OF TRADE DIRECTOR RIDZWAN IF HIS OFFICE HAD RECEIVED COMPLAINTS ABOUT THE SITUATION, HE SHOOK HIS HEAD, LOOKED SLIGHTLY HORRIFIED, AND COMMENTED: "WE CAN'T GET INVOLVED."
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BILATERAL ECONOMIC RELATIONS GENERALLY SEEM GOOD, DESPITE DIFFERENING VIEWS ON ASEAN TRADE. THERE IS, HOWEVER, SOME GENERAL CONCERN IN SINGAPORE THAT PERTAMINA TROUBLES AND STAGNATED CALTEX NEGOTIATIONS WILL RESULT IN SLOWER PACE OF INDONESIAN ECONOMIC DEVELOPMENT, WITH CONSEQUENT LOSS OF TRADE OPPORTUNITIES FOR SINGAPORE.
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